



October 19, 2006

VIA Electronic Mail

Ms. Cynthia Jones
Chief Deputy Director
Virginia Department of Medical Assistance Services
600 E. Broad Street
Suite 1300
Richmond, Virginia 23219

RE: **BLUE PRINT FOR AGING COMMENTS**

Dear Ms. Jones:

Riverside Health System (RHS) engaged my organization to assist them in the development of the Program for All-inclusive Care of the Elderly (PACE) on the Peninsula and in Richmond. RHS and Anthem have already initiated discussions regarding potentially coordinating efforts to develop PACE and Special Needs Plans (SNP). I attended the first Town Hall meeting and wanted to provide written comments to Blue Print for Aging regarding two areas, which are:

1. The integration of PACE and SNP; and
2. PACE rate setting and participant's share of cost (Patient Pay)

PACE AND SNP INTEGRATION

A key decision in the development of a coordinated managed long-term care program is if the providers would be capitated for nursing home care. A number of state waiver programs capitate providers for waiver services but the state then assumes payment for services when the Medicaid recipient transfers to a nursing home. A review of Michigan's Medicaid Waiver Program in Muskegon and Ottawa Counties shows that PACE could clearly demonstrate cost neutrality to the state for the first year of operations if 50% of the Waiver Participants who were going to be permanently placed in the nursing home were enrolled in PACE. Attached is the letter showing cost neutrality.

1501 Greer Lane • Signal Mountain, TN 37377
423.517.0567 • 423.517.0568 Fax
dan.gray@consulting-cds.com

PACE is designed to be capitated for nursing home care because of the comprehensive coordination of all services delivered to the participant. I strongly urge the Commonwealth's consideration of capitalizing on its commitment to PACE development by designing coordination with Special Needs Plans or Medicaid Waiver Programs.

PACE RATE SETTING AND PARTICIPANT SHARE OF COST (PATIENT PAY)

DMAS has set the stage for developing successful PACE programs across the state. The only issues, which I believe could affect the success of PACE in Virginia, are the rate setting methodology and the patient pay payments currently being made by some participants at the pre-PACE program operated by Sentara.

RATE SETTING

Earlier this year, a letter was sent to Bill Lessard commenting on draft rates for the different regions of Virginia (attached). This letter outlines CDS' arguments for setting rates based on average statewide utilization and adjusting regional rates for cost factors such as labor, hospital charges, and nursing home rates. The initial work by the actuaries had the lowest rate in the rural regions differing from northern Virginia by slightly over \$1,000 per member per month. I believe these proposed rates will make it difficult to develop PACE in rural areas and probably over-pay in northern Virginia.

PATIENT PAY

Sentara's Senior Care (pre-PACE: Medicaid Only) currently collects a "Patient Pay" payment from a number of participants who are above 100% of the poverty level but below 300%. In most states, which have developed PACE, participants are eligible for PACE if their income is under 300% of the poverty level and do not have to pay anything to the program unless permanently placed in a nursing home.

PACE does not pay for housing or living expenses for the participants. It is very difficult for residents to pay these expenses (food, housing, utilities) from their own resources, in addition to monthly payments from \$50 to \$300+ to the PACE program. A number of potential PACE participants could go directly to a nursing home on Medicaid and not have to pay this amount in addition to the costs of living in their home. My review indicates that eligibility for PACE can be at the 300% of poverty level and I strongly urge the Commonwealth to take whatever action necessary to avoid any PACE participants being subject to Patient Pay. Otherwise, a significant number of potential PACE participants will be forced to go directly to the nursing home costing the state more money.



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DMAS should be commended for its thoughtful approach to developing a long-term care plan and PACE. If I can answer any questions regarding my comments, please do not hesitate to call.

Sincerely,

Dan Gray
President

